

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

REPORT OF AUDIT
Year Ended June 30, 2003

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INDEPENDENT AUDITOR'S REPORT

September 12, 2003

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the Whitley County School District, as of and for the year ended June 30, 2003, which collectively comprises the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Whitley County School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the Whitley County School District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, as of June 30, 2003. This results in a change in format and content of the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the aggregate remaining fund information of the Whitley County School District, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2003, on our consideration of Whitley County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Whitley County School District's basic financial statements. The additional information shown on pages 39 through 61 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 52 through 54 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis on pages 3 through 9, are not a required part of the basic financial statements but is supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Certified Public Accountants

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2003

As management of the Whitley County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

SUPERINTENDENTS' REVIEW OF THE YEAR

- The District continues to refine curriculum and exit criteria for all grade levels with committees of teachers representing primary, intermediate, middle and high school grade levels. Fine arts teachers developed a curriculum for Arts and Humanities for use throughout the District.
- The District is building leadership capacity among teachers by placing them as Action Component Leaders in development of the School Improvement Plans.
- All schools presented disaggregated data from CATS test results and plans for school improvement to the Board of Education.
- The focus on improved technology services was increased with the employment of a systems engineer for the District.
- The District continues its efforts to integrate curriculum and technology with the addition of Plato curriculum software at all schools.
- *Bits and Bytes of Whitley County* is a monthly newsletter published to assist teachers in using the Internet to enhance instruction.
- The following items were purchased and placed throughout the District during the 2002-2003 school year to improve our technology services:
 - 172 workstation computers
 - 75 printers, 5 laptops
 - 20 Smartboards (added to the 3 existing Smartboards)
 - 20 projectors
 - 50 scan converters (computer to TV hookup)
 - 14 disaster recovery software licenses
 - 1000 Ghost licenses for imaging workstations
 - 1 digital camera (added to existing cameras for all schools)
 - 2 school site licenses for Type to Learn
 - 600 Office Pro XP licenses
 - 78 McAfee Antivirus licenses
- All wiring closets were updated, replacing hubs with manageable switches to improve technological efficiency.
- Upgrades to STI and SETS software allowed for more efficient pupil accounting.
- The focus on improved writing throughout the district was increased with the hiring of a writing specialist and the continuation of the contract for our math/science resource teacher in collaboration with the ARSI. Both specialists provided a variety of content specific professional development activities for teachers, as well as in-class assistance.

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- The District increased its focus on student achievement through providing professional development including:
 - Differentiated Instruction
 - The Brain Compatible Classroom
 - Brain Research and Learning Styles
 - Active Learning
 - Gifted and Talented Preparation/Awareness
- The District continued its efforts to effectively integrate technology and curriculum through professional development activities which included:
 - Use of the Digital Camera/Scanner
 - Primary Level Software Exploration
 - Intermediate Level Software Exploration
 - PowerPoint
 - Microsoft Word
 - Excel Spreadsheet,
 - MarcoPolo
 - School Web Page Design
 - Plato
- Implementation of Reading Recovery and Early Incentive Reading programs targeted at-risk readers in the elementary schools.
- Expansion of the Y.O.U. (Youth Opportunities Unlimited) program targeted students at-risk of dropping out of school, and assisted with credit completion and employment opportunities.
- Continued support to Rockholds Opportunity Center for students in Grades 7-12 who are not succeeding in a traditional school environment.
- The Whitley County Special Education Department applied for and was awarded an Emergency School Renovation Grant related to the Individuals with Disabilities Education Act, Part B (IDEA-B) totaling \$152,136 for the 2002-2003 and 2003-2004 school years. From these funds:
 - Two Functional Mentally Disabled (FMD) units were established, along with equipment for deaf students.
 - Several software programs were purchased for district-wide use including:
 - Word Smith
 - Read and Write
 - Type and Talk
 - Screen Reader
 - Several computers and printers were acquired and assigned to staff and students alike.
- The 21st Century Community Learning Grant provided many after-school and weekend opportunities and field trips for our students.
- Student enrollment in the Whitley County School District increased during the 2002-2003 school year helping to keep our district financially sound.
- Complete renovation of Nevisdale Elementary school to include: new HVAC system and new student and teacher furniture. Nevisdale was the last school in the District using a coal-fired furnace. We have contracted with the Whitley County Water District to provide city water eliminating the well currently in use.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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- Renovations at Poplar Creek Elementary School included renovation of the gymnasium and kitchen areas, as well as installation of a new septic system.
- Asbestos removal efforts have resulted in the removal of all hazardous asbestos from district buildings.
- Improvements on the Whitley County Campus include:
 - Replacement of old hot water heaters with new more energy efficient systems. This resulted in a savings of approximately \$46,000.00.
 - Removal of the package treatment plant and hook up to city sewer system of all buildings on the central campus. The District also reclaimed area as additional parking for the softball and baseball complex.
 - Installed approximately 600 feet of four-foot drain tile adjacent to the Whitley County Middle School football/track field to eliminate erosion and develop an area for a storage facility in the future.
- Renovations of Whitley County High School consisting of:
 - Renovation of the gymnasium which increased the lobby area, removal of old stage area, installed a new playing floor, installed air conditioning and replaced tile and carpeting in the boys and girls locker rooms, developed a courtyard for students adjacent to the gymnasium and addressed several safety issues.
 - Complete renovation of cafeteria, ROTC and classroom space.
 - Construction of boys and girls restrooms in back hall.
 - Whitley County maintenance personnel completed the items that the district was responsible for in the construction of a new Vo-Ag Science Center and green house.
 - Upgraded air conditioning in the TMH and Special Education areas.
 - Renovation of the Home Economics room utilizing Perkins Funding and General Fund dollars.
 - Installation of digital security camera system.
- Improvements at Whitley County Middle School which included:
 - Installation of new energy efficient lighting at Whitley County Middle School cafeteria and library. Began replacement of ballasts in remainder of the school.
 - Installation of security camera system.
- Conversion of six existing classrooms to Cardinal Preschool wing at Whitley Central Primary School.
- Established an early childhood center at Boston Elementary in the building formerly used as a cafeteria. Project completed in collaboration with Bell Whitley Community Action Agency.
- Purchase of furniture for the new Intermediate School.
- Staff participated in the coordination of construction efforts of new intermediate school.
- Began construction process of classroom addition for two preschool rooms at Whitley County North Elementary.
- Sold two Qualified Zone Academy Bonds resulting in approximately \$1,000,000.00 designated for the renovation of Pleasant View Elementary. Deposited approximately \$520,000.00 in interest bearing accounts to defease QZAB's. This will result in no future expense for the District.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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- Began renovation of Pleasant View Elementary which will include:
 - Addressing handicapped accessibility issue
 - Fire alarm systems
 - Cafeteria/Kitchen renovation
 - Gymnasium renovation
 - Installation of security cameras
 - Replace windows/doors
 - Install HVAC system
 - Construction of courtyard area for students
 - Installation of awnings/bus canopies
- All buildings in the District with the exception of Nevisdale Elementary are utilizing the Automated Logic, a digital energy control system. Over the past 5 years, this system has represented a cost savings of approximately \$590,000 to the District.
- A cabinet and woodworking shop installed at the maintenance shop site has resulted in substantial savings for the District.
- Maintenance staff has participated in training in the operation and use of a district wide keying system.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$17,211,590.
- A concerted effort was focused on purchasing in the areas of supplies, food, and travel. This resulted in several economies due to changed management strategies.
- The board issued refunding bonds in the amount of \$998,801.
- Due to the decline of interest rates, earnings on investments fell \$335,054; that is a 58.3 percent decrease.
- During fiscal 2003, the District felt little impact of the declining economy other than the reduction in interest income. However, we anticipate flat to falling revenue in fiscal year 2004.
- The General Fund had \$25,164,057 in revenue, which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there were \$25,385,340 in General Fund expenditures.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total debt decreased by \$1,831,199 during the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and management of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are vending and food service operations, day care operations and community education. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 38 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$15,052,553 as of June 30, 2003. This is a current year net increase of \$1,540,491.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, general equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2003

Net Assets for the period ending June 30, 2003

The current year's financial statements are dramatically different from past years as a result of implementing GASB 34. Attempting to compare this year's data with last year would be misleading to the reader; however, the District looks forward to offering comparative data in the future.

Current assets	\$ 12,059,448
Noncurrent assets	<u>26,931,471</u>
Total Assets	<u>\$ 38,990,919</u>
Current liabilities	\$ 3,646,951
Noncurrent liabilities	<u>20,291,415</u>
Total Liabilities	<u>\$ 23,938,366</u>
Net assets	
Investment in capital assets, net of related debt	\$ 6,137,670
Restricted	1,871,462
Unrestricted	<u>7,043,421</u>
Total Net Assets	<u>\$ 15,052,553</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets:

The District implemented GASB 34 and recorded fixed assets in the amount of \$26,512,929 and debt in the amount of \$20,793,801 for the first time.

Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2003, exclusive of bond proceeds, were \$36,735,716.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$4,423,906 more than budget or 21.3%. This is due to recording on-behalf payments made by the State of Kentucky of \$4,176,934 that was not budgeted. When this is eliminated, revenues compared to budget were \$246,972 or 1.19% more than anticipated.
- The total cost of all general fund programs and services was \$25,385,340 excluding depreciation.
- General fund budget expenditures to actual varied significantly in district administrative support (\$5,275,901 under budget). This resulted from the board establishing a contingency totaling \$5,410,651. Instructional expenditures were over budget by \$3,753,742 also due to on-behalf state payments, which were not budgeted. Excluding these items, which was \$3,686,055, instructional expenses were over budget by \$67,687. Additionally, plant operation and management closed with a budget surplus of \$100,055. When on-behalf payments of \$164,398 were excluded, plant operation and management had a budget surplus of \$264,453. Student transportation ended with a budget deficit of \$51,295. Excluding on-behalf payments of \$164,398, the budget had a surplus of \$113,103.

WHITLEY COUNTY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2003

REVENUES AND EXPENSES SUMMARY

The following table presents a summary of revenues and expenses for the fiscal year ended June 30, 2003.

	<u>Amount</u>	<u>Percent</u>
Revenues:		
Local revenue sources	\$ 3,974,417	10.82%
State revenue sources	28,208,187	76.79
Federal revenues	4,553,112	12.39
Total revenues	<u>\$ 36,735,716</u>	<u>100.00%</u>
Expenses:		
Instruction	\$ 21,743,683	61.79%
Student support services	761,522	2.16
Instructional support	1,941,441	5.52
District administration	1,079,675	3.07
School administration	1,317,274	3.74
Business support	212,864	.60
Plant operation and management	1,808,068	5.14
Student transportation	2,044,219	5.81
Central office support	406,230	1.15
Community activities	619,084	1.76
Food service	2,033,236	5.78
Day care	188,969	.54
Community education	1,544	-
Other	11,500	.03
Interest	1,025,916	2.91
Total expenses	<u>\$ 35,195,225</u>	<u>100.00%</u>
Revenues in excess of expenses	<u>\$ 1,540,491</u>	

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1 to June 30; other programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2.00% contingency. The District adopted a budget with \$5,410,651 in contingency (26.1%).

Questions regarding this report should be directed to the Superintendent (606) 549-7000 or to Leigh Burke, Director of Financial Services (606) 549-7000 or by mail at 116 North Fourth Street, Williamsburg, KY 40769.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET ASSETS
June 30, 2003

<u>ASSETS</u>	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 9,817,883	\$ 550,842	\$ 10,368,725
Accounts receivable:			
Taxes – current	323,288	-	323,288
Accounts receivable	15,370	11,627	26,997
Intergovernmental – federal	1,022,826	238,488	1,261,314
Materials and supplies inventory	-	26,653	26,653
Other current assets	52,471	-	52,471
Total current assets	<u>11,231,838</u>	<u>827,610</u>	<u>12,059,448</u>
NONCURRENT ASSETS			
Capital assets, net	<u>26,512,929</u>	<u>418,542</u>	<u>26,931,471</u>
Total noncurrent assets	<u>26,512,929</u>	<u>418,542</u>	<u>26,931,471</u>
TOTAL ASSETS	<u><u>\$ 37,744,767</u></u>	<u><u>\$ 1,246,152</u></u>	<u><u>\$ 38,990,919</u></u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 1,507,388	\$ 14,584	\$ 1,521,972
Matured coupons outstanding	121,748	-	121,748
Accrued wages and benefits	255,250	-	255,250
Deferred revenue	792,981	-	792,981
Current portion of bond obligations	955,000	-	955,000
Total current liabilities	<u>3,632,367</u>	<u>14,584</u>	<u>3,646,951</u>
NONCURRENT LIABILITIES			
Noncurrent portion of bond obligations	19,838,801	-	19,838,801
Noncurrent portion of accrued sick leave	452,614	-	452,614
Total noncurrent liabilities	<u>20,291,415</u>	<u>-</u>	<u>20,291,415</u>
TOTAL LIABILITIES	<u>23,923,782</u>	<u>14,584</u>	<u>23,938,366</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,719,128	418,542	6,137,670
Restricted for:			
Debt service	522,675	-	522,675
Capital projects	1,348,787	-	1,348,787
Unrestricted	6,230,395	813,026	7,043,421
TOTAL NET ASSETS	<u>13,820,985</u>	<u>1,231,568</u>	<u>15,052,553</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 37,744,767</u></u>	<u><u>\$ 1,246,152</u></u>	<u><u>\$ 38,990,919</u></u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
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STATEMENT OF ACTIVITIES
June 30, 2003

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 21,743,683	\$ 39,389	\$ 8,413,081	\$ -	\$ (13,291,213)		\$ (13,291,213)
Support services:							
Student	761,522	-	42,972	-	(718,550)		(718,550)
Instructional staff	1,941,441	-	1,263,130	-	(678,311)		(678,311)
District administration	1,079,675	-	162,256	-	(917,419)		(917,419)
School administration	1,317,274	-	115,786	-	(1,201,488)		(1,201,488)
Business	212,864	-	1,197	-	(211,667)		(211,667)
Plant operation and management	1,808,068	-	369,207	-	(1,438,861)		(1,438,861)
Student transportation	2,044,219	-	246,842	-	(1,797,377)		(1,797,377)
Central office	406,230	-	-	-	(406,230)		(406,230)
Food service	340	-	-	-	(340)		(340)
Facilities acquisition and construction	-	-	-	1,206,834	1,206,834		1,206,834
Community activities	619,084	-	608,463	-	(10,621)		(10,621)
Interest on long-term debt	1,025,916	-	-	595,969	(429,947)		(429,947)
Bond issuance costs	11,500	-	-	-	(11,500)		(11,500)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 32,971,816</u>	<u>\$ 39,389</u>	<u>\$ 11,222,934</u>	<u>\$ 1,802,803</u>	<u>(19,906,690)</u>		<u>(19,906,690)</u>
BUSINESS-TYPE ACTIVITIES:							
Food service	\$ 2,032,896	\$ 405,806	\$ 1,726,782	\$ -	\$ 99,692		99,692
Day care	188,969	168,538	-	-	(20,431)		(20,431)
Community education	1,544	-	25,272	-	23,728		23,728
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 2,223,409</u>	<u>\$ 574,344</u>	<u>\$ 1,752,054</u>	<u>\$ -</u>	<u>102,989</u>		<u>102,989</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 35,195,225</u>	<u>\$ 613,733</u>	<u>\$ 12,974,988</u>	<u>\$ 1,802,803</u>			<u>(19,803,701)</u>
GENERAL REVENUES							
Taxes							
					1,827,350	-	1,827,350
					511,451	-	511,451
					750,491	-	750,491
					23,700	-	23,700
					17,983,508	-	17,983,508
					239,192	10,680	249,872
					(2,636)	330	(2,306)
					<u>126</u>	<u>-</u>	<u>126</u>
					<u>21,333,182</u>	<u>11,010</u>	<u>21,344,192</u>
					<u>1,426,492</u>	<u>113,999</u>	<u>1,540,491</u>
Change in net assets							
Net assets, July 1, 2002, as originally reported					15,110,776	1,485,697	16,596,473
Prior period adjustments					(2,716,283)	(368,128)	(3,084,411)
Net assets, July 1, 2002, as restated					<u>12,394,493</u>	<u>1,117,569</u>	<u>13,512,062</u>
Net assets, June 30, 2003					<u>\$ 13,820,985</u>	<u>\$ 1,231,568</u>	<u>\$ 15,052,553</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2003

	General Fund	Special Revenue
ASSETS AND RESOURCES		
Cash and cash equivalents	\$ 6,908,004	\$ (37,037)
Accounts receivable:		
Taxes – current	323,288	-
Accounts receivable	15,370	-
Intergovernmental – federal	-	1,022,826
Other current assets	-	-
TOTAL ASSETS AND RESOURCES	<u>\$ 7,246,662</u>	<u>\$ 985,789</u>
LIABILITIES		
Accounts payable	\$ 308,403	\$ 192,808
Matured coupons outstanding	-	-
Accrued wages and benefits	255,250	-
Deferred revenue	-	792,981
TOTAL LIABILITIES	<u>563,653</u>	<u>985,789</u>
FUND BALANCES		
Unreserved, reported in:		
General fund	6,683,009	-
Special revenue fund	-	-
Reserved, reported in:		
Debt service fund	-	-
Capital project funds	-	-
TOTAL FUND BALANCES	<u>6,683,009</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,246,662</u>	<u>\$ 985,789</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 2,946,916	\$ 9,817,883
-	323,288
-	15,370
-	1,022,826
52,471	52,471
<u>\$ 2,999,387</u>	<u>\$ 11,231,838</u>
\$ 1,006,177	\$ 1,507,388
121,748	121,748
-	255,250
-	792,981
<u>1,127,925</u>	<u>2,677,367</u>
-	6,683,009
-	-
522,675	522,675
1,348,787	1,348,787
<u>1,871,462</u>	<u>8,554,471</u>
<u>\$ 2,999,387</u>	<u>\$ 11,231,838</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
June 30, 2003

Total Fund Balances per fund financial statements **\$ 8,554,471**

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources, but they are
reported in the statement of net assets 26,512,929

Certain liabilities, such as bonds payable and the long-term portion of accrued sick leave
are not reported in this fund financial statement because they are not due and payable
in the current period, but they are presented in the statement of net assets:

Accrued sick leave	\$ 452,614	
Bonds payable	<u>20,793,801</u>	<u>(21,246,415)</u>

Total Net Assets for Governmental Activities **\$ 13,820,985**

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2003

	General <u>Fund</u>	Special <u>Revenue</u>
REVENUES		
From local sources:		
Taxes		
Property	\$ 1,547,141	\$ -
Motor vehicle	511,451	-
Utilities	750,491	-
Revenue in lieu of taxes	23,700	-
Tuition and fees	2,833	-
Earnings on investments	154,677	4,185
Other local revenues	9,751	26,805
Intergovernmental – state	22,160,442	2,338,079
Intergovernmental – indirect federal	-	4,277,725
Intergovernmental – direct federal	3,571	271,816
Other revenue	-	126
TOTAL REVENUES	<u>25,164,057</u>	<u>6,918,736</u>
EXPENDITURES		
Instruction	16,177,702	4,731,296
Support services:		
Student	704,872	42,972
Instructional staff	669,480	1,259,918
District administration	1,077,275	173
School administration	1,180,431	115,786
Business	211,667	1,197
Plant operation and management	2,568,153	50,000
Student transportation	2,013,337	82,844
Central office	371,792	-
Food service	340	-
Facilities acquisition and construction	402,883	-
Community services activities	7,408	608,463
Payment of bonds	-	-
Payment of interest	-	-
TOTAL EXPENDITURES	<u>25,385,340</u>	<u>6,892,649</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(221,283)</u>	<u>26,087</u>
OTHER FINANCING SOURCES (USES)		
Bond proceeds	-	-
Bond issuance costs	-	-
Operating transfers in	212,610	31,714
Operating transfers out	(31,714)	(57,801)
Proceeds from sale of assets	5,496	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>186,392</u>	<u>(26,087)</u>
NET CHANGE IN FUND BALANCES	<u>(34,891)</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ 280,209	\$ 1,827,350
-	511,451
-	750,491
-	23,700
-	2,833
80,330	239,192
-	36,556
1,802,803	26,301,324
-	4,277,725
-	275,387
-	126
<u>2,163,342</u>	<u>34,246,135</u>
-	20,908,998
-	747,844
-	1,929,398
-	1,077,448
-	1,296,217
-	212,864
-	2,618,153
-	2,096,181
-	371,792
-	340
5,816,141	6,219,024
-	615,871
2,830,000	2,830,000
<u>1,025,916</u>	<u>1,025,916</u>
<u>9,672,057</u>	<u>41,950,046</u>
<u>(7,508,715)</u>	<u>(7,703,911)</u>
998,801	998,801
(11,500)	(11,500)
1,735,005	1,979,329
(1,735,005)	(1,824,520)
-	5,496
<u>987,301</u>	<u>1,147,606</u>
<u>(6,521,414)</u>	<u>(6,556,305)</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
Year Ended June 30, 2003

	General Fund	Special Revenue
FUND BALANCES, JULY 1, 2002	<u>6,717,900</u>	<u>-</u>
FUND BALANCES, JUNE 30, 2003	<u>\$ 6,683,009</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
<u>8,392,876</u>	<u>15,110,776</u>
<u>\$ 1,871,462</u>	<u>\$ 8,554,471</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2003

Net Change In Total Fund Balances – per fund financial statements	\$(6,556,305)
--	----------------------

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives as depreciation expense. This is the amount by which depreciation
exceeded capital outlays in the current period:

Depreciation	\$(1,108,167)	
Capital outlays	<u>7,318,783</u>	6,210,616

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.	2,830,000
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In the statement of activities, bond proceeds are considered an increase in liabilities, whereas in governmental funds, they are reported as other financing sources.	(998,801)
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In the statement of activities, gain (loss) is recorded on the sale of assets, whereas in governmental funds, only the proceeds are reported.	(8,132)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, such as accrued sick leave.	<u>(50,886)</u>
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Change In Net Assets of Governmental Activities	<u>\$ 1,426,492</u>
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The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
From local sources:				
Taxes				
Property	\$ 1,362,500	\$ 1,362,500	\$ 1,547,141	\$ 184,641
Motor vehicle	500,000	500,000	511,451	11,451
Utilities	600,000	600,000	750,491	150,491
Revenue in lieu of taxes	20,000	20,000	23,700	3,700
Tuition and fees	-	-	2,833	2,833
Earnings on investments	352,500	352,500	154,677	(197,823)
Other local revenues	28,500	29,500	9,751	(19,749)
Intergovernmental – state	17,296,025	17,850,651	22,160,442	4,309,791
Intergovernmental – indirect federal	25,000	25,000	-	(25,000)
Intergovernmental – direct federal	-	-	3,571	3,571
TOTAL REVENUES	<u>20,184,525</u>	<u>20,740,151</u>	<u>25,164,057</u>	<u>4,423,906</u>
EXPENDITURES				
Instruction	12,458,076	12,423,960	16,177,702	(3,753,742)
Support services:				
Student	672,471	672,471	704,872	(32,401)
Instructional staff	731,531	731,531	669,480	62,051
District administration	5,758,000	6,353,176	1,077,275	5,275,901
School administration	1,240,703	1,240,703	1,180,431	60,272
Business	257,747	257,747	211,667	46,080
Plant operation and management	2,958,642	2,668,208	2,568,153	100,055
Student transportation	1,962,042	1,962,042	2,013,337	(51,295)
Central office	453,140	453,140	371,792	81,348
Food service	-	-	340	(340)
Facilities acquisition and construction	219,772	504,772	402,883	101,889
Community services activities	5,095	5,095	7,408	(2,313)
TOTAL EXPENDITURES	<u>26,717,219</u>	<u>27,272,845</u>	<u>25,385,340</u>	<u>1,887,505</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,532,694)</u>	<u>(6,532,694)</u>	<u>(221,283)</u>	<u>6,311,411</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	150,000	150,000	212,610	62,610
Operating transfers out	(67,830)	(67,830)	(31,714)	36,116
Proceeds from sale of assets	8,000	8,000	5,496	(2,504)
TOTAL OTHER FINANCING SOURCES (USES)	<u>90,170</u>	<u>90,170</u>	<u>186,392</u>	<u>96,222</u>
NET CHANGE IN FUND BALANCE	<u>(6,442,524)</u>	<u>(6,442,524)</u>	<u>(34,891)</u>	<u>6,407,633</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
FUND BALANCE, JULY 1, 2002	<u>6,442,524</u>	<u>6,442,524</u>	<u>6,717,900</u>	<u>275,376</u>
FUND BALANCE, JUNE 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,683,009</u>	<u>\$ 6,683,009</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2003

<u>ASSETS</u>	Food Service	Day Care	Community Education	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 527,732	\$ (330)	\$ 23,440	\$ 550,842
Materials and supplies inventory	26,653	-	-	26,653
Accounts receivable:				
Accounts receivable	2,710	8,645	272	11,627
Intergovernmental – federal	238,488	-	-	238,488
Total current assets	<u>795,783</u>	<u>8,315</u>	<u>23,712</u>	<u>827,610</u>
NONCURRENT ASSETS				
Capital assets, net	418,542	-	-	418,542
TOTAL ASSETS	<u>\$ 1,214,125</u>	<u>\$ 8,315</u>	<u>\$ 23,712</u>	<u>\$ 1,246,152</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts payable	\$ 12,777	\$ 1,807	\$ -	\$ 14,584
Total current liabilities	<u>12,777</u>	<u>1,807</u>	<u>-</u>	<u>14,584</u>
NET ASSETS				
Invested in capital assets	418,542	-	-	418,542
Unrestricted	782,806	6,508	23,712	813,026
Total net assets	<u>1,201,348</u>	<u>6,508</u>	<u>23,712</u>	<u>1,231,568</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,214,125</u>	<u>\$ 8,315</u>	<u>\$ 23,712</u>	<u>\$ 1,246,152</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2003

	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
OPERATING REVENUES				
Tuition and fees	\$ -	\$ 168,538	\$ -	\$ 168,538
Sales	405,806	-	-	405,806
Other operating revenues	<u>-</u>	<u>-</u>	<u>25,272</u>	<u>25,272</u>
TOTAL OPERATING REVENUES	<u>405,806</u>	<u>168,538</u>	<u>25,272</u>	<u>599,616</u>
OPERATING EXPENSES				
Salaries	770,964	137,684	-	908,648
Fringe benefits	110,385	18,573	-	128,958
Purchased services	11,319	10,594	1544	23,457
Supplies and materials	948,002	21,812	-	969,814
Depreciation	36,491	-	-	36,491
Operating transfer	154,809	-	-	154,809
Other operating expenses	<u>926</u>	<u>306</u>	<u>-</u>	<u>1,232</u>
TOTAL OPERATING EXPENSES	<u>2,032,896</u>	<u>188,969</u>	<u>1,544</u>	<u>2,223,409</u>
OPERATING INCOME (LOSS)	<u>(1,627,090)</u>	<u>(20,431)</u>	<u>23,728</u>	<u>(1,623,793)</u>
NON-OPERATING REVENUES (EXPENSES)				
Operating grants – federal	1,693,622	-	-	1,693,622
Operating grants – state	33,160	-	-	33,160
Interest	10,148	443	89	10,680
Gain on the sale of assets	<u>330</u>	<u>-</u>	<u>-</u>	<u>330</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,737,260</u>	<u>443</u>	<u>89</u>	<u>1,737,792</u>
NET INCOME (LOSS)	<u>110,170</u>	<u>(19,988)</u>	<u>23,817</u>	<u>113,999</u>
NET ASSETS, JULY 1, 2002, AS ORIGINALLY REPORTED	1,459,306	26,496	(105)	1,485,697
PRIOR PERIOD ADJUSTMENT	<u>(368,128)</u>	<u>-</u>	<u>-</u>	<u>(368,128)</u>
NET ASSETS, JULY 1, 2002, AS RESTATED	<u>1,091,178</u>	<u>26,496</u>	<u>(105)</u>	<u>1,117,569</u>
NET ASSETS, JUNE 30, 2003	<u>\$ 1,201,348</u>	<u>\$ 6,508</u>	<u>\$ 23,712</u>	<u>\$ 1,231,568</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2003

	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from tuition and fees	\$ -	\$ 169,205	\$ -	\$ 169,205
Cash received from sales	404,067	-	-	404,067
Other cash receipts	-	-	25,000	25,000
Cash payments for salaries and benefits	(881,349)	(156,257)	-	(1,037,606)
Cash payments for purchased services	(11,319)	(10,594)	-	(21,913)
Cash payments for supplies and materials	(932,186)	(24,355)	(1,560)	(958,101)
Cash payments for other expenses	<u>(155,735)</u>	<u>(306)</u>	<u>-</u>	<u>(156,041)</u>
Net cash provided (used) by operating activities	<u>(1,576,522)</u>	<u>(22,307)</u>	<u>23,440</u>	<u>(1,575,389)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of fixed assets	(105,351)	-	-	(105,351)
Proceeds from sale of assets	<u>330</u>	<u>-</u>	<u>-</u>	<u>330</u>
Net cash provided (used) by capital and related financing activities	<u>(105,021)</u>	<u>-</u>	<u>-</u>	<u>(105,021)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of interest	10,148	443	89	10,680
Receipt of grants	<u>1,497,531</u>	<u>-</u>	<u>-</u>	<u>1,497,531</u>
Net cash provided (used) by investing activities	<u>1,507,679</u>	<u>443</u>	<u>89</u>	<u>1,508,211</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(173,864)	(21,864)	23,529	(172,199)
CASH AND CASH EQUIVALENTS, JULY 1, 2002	<u>701,596</u>	<u>21,534</u>	<u>(89)</u>	<u>723,041</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2003	<u>\$ 527,732</u>	<u>\$ (330)</u>	<u>\$ 23,440</u>	<u>\$ 550,842</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$(1,627,090)	\$ (20,431)	\$ 23,728	\$(1,623,793)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Depreciation	36,491	-	-	36,491
Changes in assets and liabilities:				
Accounts receivable	(1,739)	667	(272)	(1,344)
The accompanying notes are an integral part of these financial statements.				

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
Year Ended June 30, 2003

	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
Inventory	3,829	-	-	3,829
Accounts payable	<u>11,987</u>	<u>(2,543)</u>	<u>(16)</u>	<u>9,428</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$(1,576,522)</u></u>	<u><u>\$(22,307)</u></u>	<u><u>\$ 23,440</u></u>	<u><u>\$(1,575,389)</u></u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Donated commodities received from federal government				<u><u>\$ 107,617</u></u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2003

ASSETS

AGENCY

CURRENT ASSETS

Cash and cash equivalents

\$ 343,275

Receivables

25,853

TOTAL ASSETS

\$ 369,128

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable

\$ 11,915

Due to students

357,213

TOTAL LIABILITIES

369,128

NET ASSETS

-

TOTAL LIABILITIES AND NET ASSETS

\$ 369,128

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect the significant elements of the Whitley County School District are summarized as follows:

REPORTING ENTITY

The Whitley County Board of Education (Board), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Whitley County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncement since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Whitley County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statement of the following organization is included in the accompanying financial statements:

WHITLEY COUNTY SCHOOL DISTRICT FINANCE CORPORATION

The Whitley County Board of Education resolved to authorize the establishment of the Whitley County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Board Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board members of the Whitley County Board of Education also comprise the corporation's Board of Directors.

BASIS OF PRESENTATION

Government-Wide Financial Statements: The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between governmental and business-type activities of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service,

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements: Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund's operating statements present increases (e.g., revenues) and decreases (expenses) in net total assets.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 52 through 54. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the district's facility plan.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

(D) Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

- (B) The Day Care Fund is used to account for the day care operations of the District. The Day Care Fund is a major fund.
- (C) The Community Education Fund is used to account for community education provided by the District.

III. Fiduciary Fund Type (Agency Funds)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenues, Exchange and Non-exchange Transactions: Revenues resulting from exchange transactions, in which each party receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the fiscal year when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year-end.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue: The District reports deferred revenue on its statement of net assets and governmental funds balance sheet. In both the government-wide and governmental fund statements, taxes received that are "intended to finance" a future period are reported as deferred revenue. In subsequent periods, the liability for deferred revenue is removed from the statement of net assets and governmental funds balance sheet and revenue is recognized.

Expenditures/Expenses: On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents in that fund. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments.

It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that had a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The Kentucky Revised Statutes authorized the District to invest in United State and State of Kentucky bonds, notes and other obligations; bank certificates of deposit; banker's acceptances; commercial paper notes rated prime and issued by United States corporations. It is the District's policy to invest in all of the above types of investments. Under existing Kentucky statues, all investment earnings accrue to the general and food service funds except certain trust funds and those funds individually authorized by Board resolution.

PREPAID ASSETS

Payments made that will benefit periods beyond June 30, 2003 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORY

On government-wide financial statements, inventories are presented at cost or using the first in, first out (FIFO) method and are expensed when used.

On fund financial statements inventories are value at cost while inventories of proprietary funds are stated at lower of cost or market. For all funds, cost is determined using the FIFO method, and are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time of purchase. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they do not represent available spendable resources. Inventories of proprietary funds consist of donated and purchased food.

CAPITAL ASSETS AND DEPRECIATION

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statement types.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 with the exception of assets acquired with Technology Funds, which there is no threshold, and a useful life of less than 1 year.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both equal capital assets and proprietary fund assets:

<u>Description</u>	<u>Useful Life</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
General equipment	7 years
Other	10 years

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities, which are presented as internal balances.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCUMULATED UNPAID SICK LEAVE BENEFITS

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and state laws.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded. For proprietary funds, the entire amount of compensated absences is recorded as an expense and liability of the fund.

ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

The District recognizes as revenues and expenses contributions made by the State of Kentucky for health insurance and flexible spending accounts on behalf of the District's employees. In fiscal year 2003, the State made contributions of \$4,176,934.

ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements.

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds are not recognized as a liability in the fund financial statements until due.

GOVERNMENTAL FUND BALANCE RESERVES

The District records reservations for portions of governmental fund balances which are legally segregated for specific future use or which do not represent available spendable resources and therefore not available for appropriation. Unreserved fund balance indicates the portion of fund balance, which is available for appropriation in future periods. Reservations of fund balance are established for encumbrances and supplies inventory.

RESTRICTED RESOURCES

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

BUDGETARY PROCESS

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For the fiscal year ended June 30, 2003, the District implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments".

GASB 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2003

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE (CONTINUED)

The District made several changes in accounting principles during the year. For governmental activities, they began recording the current portion of the accumulated sick leave liability, removed long-term investments not to be used for current expenditures, and began accounting for technology fund revenues in the special revenue fund. These changes bring the District's funds into compliance with the fund classifications and requirements of GASB 34.

Restatement of Fund Balance: The restatement for the above changes and the transition from governmental fund balance to net assets of the governmental activities is presented below:

	<u>General</u>	<u>Special Revenue</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2002	\$ 6,717,900	\$ -	\$ 8,392,876	\$ 15,110,776
Record beginning accumulated sick leave	<u>(401,728)</u>	-	-	<u>(401,728)</u>
Adjusted fund balance, June 30, 2002	6,316,172	-	8,392,876	14,709,048
GASB 34 adjustments:				
Capital assets, net of depreciation	20,310,445	-	-	20,310,445
Long-term liabilities	<u>(22,625,000)</u>	-	-	<u>(22,625,000)</u>
Governmental activities net assets, June 30, 2002	<u>\$ 4,001,617</u>	<u>\$ -</u>	<u>\$ 8,392,876</u>	<u>\$ 12,394,493</u>

The District had a fixed asset inventory taken to comply with GASB 34. This inventory revealed the proprietary fixed assets that had been previously recorded on the books but were below the threshold for capitalization. Changes as a result of the GASB 34 implementation are as follows:

	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
Retained earnings, June 30, 2002	\$ 1,459,306	\$ 26,496	\$ (105)	\$ 1,485,697
Fixed assets adjustment	<u>(368,128)</u>	-	-	<u>(368,128)</u>
Adjusted retained earnings, June 30, 2002	<u>\$ 1,091,178</u>	<u>\$ 26,496</u>	<u>\$ (105)</u>	<u>\$ 1,117,569</u>

As proprietary funds are already on the accrual basis, no adjustments are necessary for the Statement of Net Assets.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2003

NOTE 3 – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation insurance.

Under the depository contract, the District, at its own discretion, invests funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2003 the carrying amount of the District's deposits (cash and certificates of deposit) was \$10,368,725 and the bank balance was \$11,502,884. The entire bank balance throughout the year was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

The deposits were deemed collateralized under Kentucky Law during the year and the District maintains copies of all safekeeping receipts. The following is disclosed:

- a. Name of banks utilized during fiscal year: Williamsburg National Bank, Community Trust Bank and Fifth Third.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$19,875,380.
- c. Largest cash, savings and time deposit combined account balance amounted to \$18,704,226 and occurred during the month of July 2002.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$100,000.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are as follows:

- | | |
|------------|---|
| Category 1 | Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name. |
| Category 2 | Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. |
| Category 3 | Deposits which are not collateralized or insured. |

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1 and Category 2.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2003

NOTE 4 – PROPERTY TAXES

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the certified roll, upon which the levy for the 2003 fiscal year was based, was \$451,205,330. The tax rates assessed for the year ended June 30, 2003 to finance general fund operations were \$.396 per \$100 valuation for real property and \$.438 per \$100 valuation for tangible property. Taxes are due on October 1, and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2003 were eighty-seven percent of the tax levy. Delinquent taxes are allocated to the general fund. The District records taxes receivable only for the amounts collected during the next sixty days from its fiscal year end.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

At June 30, 2003, the components of taxes receivable were as follows:

Motor vehicle	\$ 35,402
General property tax	9,720
Utilities tax	57,779
Delinquent property tax	11,674
Omitted property tax	62,529
PSC tax	146,184
	<u>\$ 323,288</u>

NOTE 5 – RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

NOTE 6 – CAPITAL ASSETS

A summary of capital asset activity during the fiscal year follows:

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
GOVERNMENTAL ACTIVITIES				
Construction in progress	\$ -	\$ 6,588,060	\$ -	\$ 6,588,060
Land	489,339	-	-	489,339
Land improvements	1,416,757	-	-	1,416,757
Buildings and improvements	25,238,279	-	-	25,238,279
Technology equipment	3,555,341	377,017	(1,012,858)	2,919,500
Vehicles	4,208,343	275,593	(41,603)	4,442,333
General equipment	573,963	60,517	(6,885)	627,595
Infrastructure	-	17,596	-	17,596
Totals at cost	<u>35,482,022</u>	<u>7,318,783</u>	<u>(1,061,346)</u>	<u>41,739,459</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2003

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Less accumulated depreciation:				
Land improvements	(634,768)	(67,435)	-	(702,203)
Buildings and improvements	(8,146,076)	(517,075)	-	(8,663,151)
Technology equipment	(3,136,004)	(251,966)	1,007,575	(2,380,395)
Vehicles	(2,930,152)	(222,388)	41,603	(3,110,937)
General equipment	(324,577)	(48,166)	4,036	(368,707)
Infrastructure	-	(1,137)	-	(1,137)
Total accumulated depreciation	<u>(15,171,577)</u>	<u>(1,108,167)</u>	<u>1,053,214</u>	<u>(15,226,530)</u>
Governmental activities capital assets, net	<u>\$ 20,310,445</u>	<u>\$ 6,210,616</u>	<u>\$ (8,132)</u>	<u>\$ 26,512,929</u>
BUSINESS-TYPE ACTIVITIES				
Food service equipment	\$ 881,690	\$ 105,351	\$ -	\$ 987,041
Technology equipment	<u>55,109</u>	<u>-</u>	<u>(8,600)</u>	<u>46,509</u>
Totals at cost	<u>936,799</u>	<u>105,351</u>	<u>(8,600)</u>	<u>1,033,550</u>
Less accumulated depreciation:				
Food service equipment	(535,608)	(35,051)	-	570,659
Technology equipment	<u>(51,509)</u>	<u>(1,440)</u>	<u>8,600</u>	<u>44,349</u>
Total accumulated depreciation	<u>(587,117)</u>	<u>(36,491)</u>	<u>8,600</u>	<u>615,008</u>
Business-type activities capital assets, net	<u>\$ 349,682</u>	<u>\$ 68,860</u>	<u>\$ -</u>	<u>\$ 418,542</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 783,800
Support services:	
Student	13,678
Instructional staff	12,042
District administration	2,227
School administration	21,057
Plant operation and management	14,081
Student transportation	223,631
Central office	34,438
Community services	3,213
Total governmental activities	<u>\$ 1,108,167</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2003

NOTE 7 – BONDED DEBT AND LEASE OBLIGATIONS

The original amount of each issue, the issue date, and interest rates are summarized as follows:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
1992	\$ 3,745,000	5.5% to 5.75%
1993A	1,895,000	4.375% to 4.6%
1993C	2,375,000	3.875% to 4.3%
1997	2,910,000	4.1% to 4.6%
1998	4,420,000	4.5% to 4.625%
2002A	7,915,000	3.15% to 4.8%
2002B	2,045,000	1.75% to 4.125%
QZAB 2002	498,801	0%
QZAB 2003	500,000	0%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Whitley County Fiscal Court and the Whitley County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1988, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the district and the Commission for each year until maturity of all bond issues.

In 2003, the District issued \$498,801 of Whitley County School District Finance Corporation Qualified Zone Academy Bond, Series 2002. The cost of issuance of \$5,000 was expensed as incurred. These funds were obtained to aid in financing the Whitley County Intermediary School. The District also issued \$500,000 of Whitley County School District Finance Corporation Qualified Zone Academy Bonds, Series 2003. The cost of issuance of \$6,500 was expensed as incurred. These funds were obtained to finance the renovations to the Pleasant View Elementary School.

Both of these issues required part of the proceeds to remain on deposit to accrue interest until maturity of the bonds. At June 30, 2003, \$256,609 was held for the 2002 series and \$250,084 was held for the 2003 issue. These bonds bear no interest, but at maturity, there will be sufficient funds in these accounts to fully retire these bonds.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2003 for debt service (principal and interest) are as follows:

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2003

NOTE 7 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

<u>Year</u>	<u>Kentucky School Facility Construction Commission</u>		<u>Whitley County School District</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2003-04	\$ 399,114	\$ 201,275	\$ 555,886	\$ 682,736	\$ 1,839,011
2004-05	411,293	183,499	573,707	657,212	1,825,711
2005-06	429,317	165,057	600,683	629,959	1,825,016
2006-07	450,389	145,718	624,611	601,225	1,821,943
2007-08	465,162	125,434	654,838	573,568	1,819,002
2008-09	433,224	104,591	686,776	545,091	1,769,682
2009-10	456,292	85,140	708,708	516,989	1,767,129
2010-11	319,291	64,604	740,709	487,268	1,611,872
2011-12	166,308	50,100	773,692	454,473	1,444,573
2012-13	165,963	42,702	809,037	420,771	1,438,473
2013-14	147,339	35,589	787,661	392,191	1,362,780
2014-15	133,941	29,085	821,059	359,044	1,343,129
2015-16	140,283	22,744	859,717	321,492	1,344,236
2016-17	146,925	16,102	898,075	281,575	1,342,677
2017-18	153,881	9,146	1,439,920	239,258	1,842,205
2018-19	120,806	2,794	1,489,194	194,706	1,807,500
2019-20	-	-	1,030,000	154,525	1,184,525
2020-21	-	-	1,075,000	105,600	1,180,600
2021-22	-	-	1,125,000	54,000	1,179,000
	<u>\$ 4,539,528</u>	<u>\$ 1,283,580</u>	<u>\$ 16,254,273</u>	<u>\$ 7,671,683</u>	<u>\$ 29,749,064</u>

NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund is based on premium rates established by such funds in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro-rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund, however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated, which includes workers' compensation insurance.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2003

NOTE 8 – RISK MANAGEMENT (CONTINUED)

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

NOTE 9 – RETIREMENT PLANS

Certified employees are covered under the Kentucky Teachers Retirement System ("KTRS"). Funding for the Plan is provided through payroll withholdings of 9.855% and matching state contributions. The matching contributions are paid by the Federal programs for any salaries paid by that program.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a Board contribution of 6.34% of the employee's total compensation subject to contribution.

The Board's total payroll for the year was \$21,435,998. The payroll for employees covered under KTRS was \$15,476,379 and for CERS was \$5,332,405.

The contribution requirement for CERS for the year ended June 30, 2003 was \$604,643, which consisted of \$338,075 from the Board and \$266,568 from the employees. The Board paid \$275,247 from federal grant monies to KTRS in matching contributions for federally funded employees.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

	KTRS June 30, 2002	CERS June 30, 2002
Assets available for benefits, at fair value	\$ 7,030,468,498	\$ 6,883,298,951
Pension benefit obligation	<u>6,348,163,928</u>	<u>5,492,646,422</u>
(Underfunded) overfunded pension benefit obligations	<u>\$ 682,304,570</u>	<u>\$ 1,390,652,529</u>

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due in presented in their June 30, 2002 comprehensive annual financial reports.

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

NOTE 9 – RETIREMENT PLANS (CONTINUED)

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

NOTE 10 - CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

No provision was made in the accompanying financial statements for any contingent liabilities.

NOTE 11 – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

NOTE 12 – DEFICIT OPERATING/FUND BALANCES

There are no funds of the District that currently have a deficit fund balance. The following funds had operations that resulted in a current year operating deficit, resulting in a corresponding reduction in fund balances:

General Fund	<u>\$ (34,891)</u>
Day Care Fund	<u>\$ (19,988)</u>
Debt Service Funds	<u>\$(1,539,261)</u>
Construction Fund	<u>\$(5,273,493)</u>

NOTE 13 – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	51	1	Indirect costs	\$ 154,809
Operating	320	400	Debt service requirement	821,363
Operating	320	310	Debt service requirement	52,471
Operating	1	2	Matching	31,714
Operating	310	400	Debt services requirement	374,340
Operating	2	1	Indirect costs	57,801
Operating	400	360	Bond proceeds	486,831

NOTE 14 – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2003.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2003

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES					
Cash and cash equivalents	\$ 374,671	\$ 673,794	\$ 1,254,028	\$ 644,423	\$ 2,946,916
Other current assets	<u>52,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,471</u>
TOTAL ASSETS AND RESOURCES	<u>\$ 427,142</u>	<u>\$ 673,794</u>	<u>\$ 1,254,028</u>	<u>\$ 644,423</u>	<u>\$ 2,999,387</u>
LIABILITIES AND FUND BALANCES					
Accounts payable	\$ -	\$ -	\$ 1,006,177	\$ -	\$ 1,006,177
Matured coupons outstanding	-	-	-	121,748	121,748
Reserved for capital projects	427,142	673,794	247,851	-	1,348,787
Reserved for debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>522,675</u>	<u>522,675</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 427,142</u>	<u>\$ 673,794</u>	<u>\$ 1,254,028</u>	<u>\$ 644,423</u>	<u>\$ 2,999,387</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2003

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES					
From local sources:					
Taxes:					
Property	\$ -	\$ 280,209	\$ -	\$ -	\$ 280,209
Earnings on investments	-	-	55,817	24,513	80,330
Intergovernmental – state	<u>399,210</u>	<u>807,624</u>	<u>-</u>	<u>595,969</u>	<u>1,802,803</u>
TOTAL REVENUES	<u>399,210</u>	<u>1,087,833</u>	<u>55,817</u>	<u>620,482</u>	<u>2,163,342</u>
EXPENDITURES					
Payment of bonds	-	-	-	2,830,000	2,830,000
Payment of interest	-	-	-	1,025,916	1,025,916
Facilities acquisition and construction	<u>-</u>	<u>-</u>	<u>5,816,141</u>	<u>-</u>	<u>5,816,141</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>5,816,141</u>	<u>3,855,916</u>	<u>9,672,057</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>399,210</u>	<u>1,087,833</u>	<u>(5,760,324)</u>	<u>(3,235,434)</u>	<u>(7,508,715)</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	-	998,801	998,801
Bond issuance costs	-	-	-	(11,500)	(11,500)
Operating transfers in	52,471	-	486,831	1,195,703	1,735,005
Operating transfers out	<u>(374,340)</u>	<u>(873,834)</u>	<u>-</u>	<u>(486,831)</u>	<u>(1,735,005)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(321,869)</u>	<u>(873,834)</u>	<u>486,831</u>	<u>1,696,173</u>	<u>987,301</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	77,341	213,999	(5,273,493)	(1,539,261)	(6,521,414)
FUND BALANCES, JULY 1, 2002	<u>349,801</u>	<u>459,795</u>	<u>5,521,344</u>	<u>2,061,936</u>	<u>8,392,876</u>
FUND BALANCES, JUNE 30, 2003	<u>\$ 427,142</u>	<u>\$ 673,794</u>	<u>\$ 247,851</u>	<u>\$ 522,675</u>	<u>\$ 1,871,462</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
WHITLEY COUNTY HIGH SCHOOL
Year Ended June 30, 2003

	Cash Balances <u>July 1, 2002</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash Balances <u>June 30, 2003</u>
ACCOUNTS:				
General	\$ 3,054	\$ 36,957	\$ 36,238	\$ 3,773
Pepsi	459	11,504	10,677	1,286
Academic	-	2,287	2,287	-
Art	264	1,106	1,209	161
Band	317	-	280	37
Beta Club	-	2,176	2,176	-
Boys Cheerleaders	1,301	6,616	7,917	-
Choir	46	13,758	12,100	1,704
DECA	514	5,979	4,130	2,363
English	135	-	135	-
FBLA	821	2,937	3,758	-
FFA	971	7,960	6,447	2,484
FHA	689	270	569	390
Horticulture	5,338	5,484	5,904	4,918
Parking	1,888	1,100	402	2,586
Journalism	1,254	-	1,254	-
Library	861	-	181	680
Science/Math Club	1,464	1,163	1,157	1,470
Seniors	1,919	25,748	24,436	3,231
Spanish Club	2,679	224	-	2,903
Textbooks	853	408	-	1,261
Vocational Foods	102	1,260	1,166	196
Yearbook	14,843	6,101	12,243	8,701
Dances	973	-	300	673
SADD	382	-	-	382
French	1,268	3,751	4,723	296
Project Graduation	502	1,148	1,650	-
Football	-	23,031	22,961	70
Boys Basketball	-	7,259	7,259	-
Girls Basketball	666	8,872	9,538	-
Baseball	-	4,462	4,462	-
Softball	-	11,544	11,544	-
Track	-	3,129	3,129	-
Lockers	9,825	4,745	-	14,570
Girls Cheerleaders	429	276	705	-
Pep	-	1,015	553	462

Accounts Receivable June 30, <u>2003</u>	Accounts Payable June 30, <u>2003</u>	Fund Balances June 30, <u>2003</u>
\$ 181	\$ 24	\$ 3,930
12,635	-	13,921
-	-	-
-	-	161
-	-	37
-	-	-
-	-	-
-	-	1,704
-	-	2,363
-	-	-
-	-	-
-	-	2,484
-	-	390
80	-	4,998
-	-	2,586
-	-	-
-	-	680
-	-	1,470
-	-	3,231
-	-	2,903
-	-	1,261
-	-	196
-	1,399	7,302
-	-	673
-	-	382
-	-	296
-	-	-
11	-	81
-	-	-
-	-	-
-	-	-
-	-	-
-	-	14,570
-	-	-
-	-	462

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES (CONTINUED)
WHITLEY COUNTY HIGH SCHOOL
Year Ended June 30, 2003

ACCOUNTS:	Cash Balances <u>July 1, 2002</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash Balances <u>June 30, 2003</u>
TMH	1,057	1,410	1,991	476
JROTC	1,074	1,311	1,908	477
Colonel Shop	1,528	-	1,528	-
Teacher's Pepsi	538	6,421	3,075	3,884
1 st Priority	65	700	713	52
Tennis Team	1,267	6,945	6,800	1,412
Special Olympics	1,055	1,892	2,065	882
Sign Solutions	1,057	1,374	2,431	-
FTA	65	164	58	171
CATS	2,409	2,826	2,046	3,189
Sports Medicine	426	-	117	309
Special Events Fees	75	94,720	65,469	29,326
Transportation	7,401	1,992	285	9,108
Entertainment Productions	468	-	468	-
STLP	69	-	-	69
Boys Golf	-	3,402	3,402	-
Girls Golf	-	4,584	4,584	-
JKG	91	2,108	2,171	28
Volleyball	<u>2,206</u>	<u>11,986</u>	<u>12,096</u>	<u>2,096</u>
Totals	74,668	344,105	312,697	106,076
Interfund transfers	-	(41,349)	(41,349)	-
Totals	<u>\$ 74,668</u>	<u>\$ 302,756</u>	<u>\$ 271,348</u>	<u>\$ 106,076</u>

Accounts Receivable June 30, 2003	Accounts Payable June 30, 2003	Fund Balances June 30, 2003
-	-	476
-	-	477
-	-	-
234	-	4,118
-	-	52
-	-	1,412
-	-	882
-	-	-
-	-	171
-	-	3,189
-	-	309
-	3,031	26,295
-	-	9,108
-	-	-
-	-	69
-	-	-
-	-	-
-	-	28
-	-	2,096
13,141	4,454	114,763
-	-	-
<u>\$ 13,141</u>	<u>\$ 4,454</u>	<u>\$ 114,763</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
WHITLEY COUNTY MIDDLE SCHOOL
Year Ended June 30, 2003

	Cash Balances <u>July 1, 2002</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash Balances <u>June 30, 2003</u>
ACCOUNTS:				
All funds	\$ 40,637	\$ 132,030	\$ 121,248	\$ 51,419
Interfund transfers	-	(4,933)	(4,933)	-
Totals	<u>\$ 40,637</u>	<u>\$ 127,097</u>	<u>\$ 116,315</u>	<u>\$ 51,419</u>

Accounts Receivable June 30, <u>2003</u>	Accounts Payable June 30, <u>2003</u>	Fund Balances June 30, <u>2003</u>
\$ 5,558	\$ 3,439	\$ 53,538
-	-	-
<u>\$ 5,558</u>	<u>\$ 3,439</u>	<u>\$ 53,538</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
OAK GROVE ELEMENTARY SCHOOL
Year Ended June 30, 2003

ACCOUNTS:	Cash Balances <u>July 1, 2002</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash Balances <u>June 30, 2003</u>
All funds	\$ 68,043	\$ 100,724	\$ 84,198	\$ 84,569
Interfund transfers	-	(1,255)	(1,255)	-
Totals	<u>\$ 68,043</u>	<u>\$ 99,469</u>	<u>\$ 82,943</u>	<u>\$ 84,569</u>

Accounts Receivable June 30, <u>2003</u>	Accounts Payable June 30, <u>2003</u>	Fund Balances June 30, <u>2003</u>
\$ 141	\$ 239	\$ 84,471
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 141</u>	<u>\$ 239</u>	<u>\$ 84,471</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
WHITLEY NORTH ELEMENTARY SCHOOL
Year Ended June 30, 2003

	Cash Balances <u>July 1, 2002</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash Balances <u>June 30, 2003</u>
ACCOUNTS:				
All funds	\$ 25,323	\$ 71,120	\$ 63,998	\$ 32,445
Interfund transfers	-	(1,099)	(1,099)	-
Totals	<u>\$ 25,323</u>	<u>\$ 70,021</u>	<u>\$ 62,899</u>	<u>\$ 32,445</u>

Accounts Receivable June 30, <u>2003</u>	Accounts Payable June 30, <u>2003</u>	Fund Balances June 30, <u>2003</u>
\$ 1,340	\$ 376	\$ 33,409
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,340</u>	<u>\$ 376</u>	<u>\$ 33,409</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
POPLAR CREEK ELEMENTARY SCHOOL
Year Ended June 30, 2003

	Cash Balances <u>July 1, 2002</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash Balances <u>June 30, 2003</u>
ACCOUNTS:				
All funds	\$ 9,237	\$ 26,320	\$ 28,009	\$ 7,548
Interfund transfers	-	(927)	(927)	-
Totals	<u>\$ 9,237</u>	<u>\$ 25,393</u>	<u>\$ 27,082</u>	<u>\$ 7,548</u>

Accounts Receivable June 30, <u>2003</u>	Accounts Payable June 30, <u>2003</u>	Fund Balances June 30, <u>2003</u>
\$ 421	\$ 209	\$ 7,760
<u>-</u>	<u>-</u>	<u>-</u>
<u><u>\$ 421</u></u>	<u><u>\$ 209</u></u>	<u><u>\$ 7,760</u></u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
PLEASANT VIEW ELEMENTARY SCHOOL
Year Ended June 30, 2003

	Cash Balances <u>July 1, 2002</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash Balances <u>June 30, 2003</u>
ACCOUNTS:				
All funds	\$ 7,805	\$ 15,309	\$ 11,362	\$ 11,752
Interfund transfers	-	(3,000)	(3,000)	-
Totals	<u>\$ 7,805</u>	<u>\$ 12,309</u>	<u>\$ 8,362</u>	<u>\$ 11,752</u>

Accounts Receivable June 30, <u>2003</u>	Accounts Payable June 30, <u>2003</u>	Fund Balances June 30, <u>2003</u>
\$ 1,321	\$ 2,090	\$ 10,983
-	-	-
<u>\$ 1,321</u>	<u>\$ 2,090</u>	<u>\$ 10,983</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
WHITLEY CENTRAL ELEMENTARY SCHOOL
Year Ended June 30, 2003

	Cash Balances <u>July 1, 2002</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash Balances <u>June 30, 2003</u>
ACCOUNTS:				
All funds	\$ 31,018	\$ 78,218	\$ 75,209	\$ 34,027
Interfund transfers	-	(201)	(201)	-
Totals	<u>\$ 31,018</u>	<u>\$ 78,017</u>	<u>\$ 75,008</u>	<u>\$ 34,027</u>

Accounts Receivable June 30, <u>2003</u>	Accounts Payable June 30, <u>2003</u>	Fund Balances June 30, <u>2003</u>
\$ 2,076	\$ 577	\$ 35,526
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,076</u>	<u>\$ 577</u>	<u>\$ 35,526</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
BOSTON ELEMENTARY SCHOOL
Year Ended June 30, 2003

	Cash Balances <u>July 1, 2002</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash Balances <u>June 30, 2003</u>
ACCOUNTS: All funds	<u>\$ 13,046</u>	<u>\$ 27,885</u>	<u>\$ 31,883</u>	<u>\$ 9,048</u>

Accounts Receivable June 30, <u>2003</u>	Accounts Payable June 30, <u>2003</u>	Fund Balances June 30, <u>2003</u>
<u>\$ 1,219</u>	<u>\$ 531</u>	<u>\$ 9,736</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
NEVISDALE ELEMENTARY SCHOOL
Year Ended June 30, 2003

	Cash Balances <u>July 1, 2002</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash Balances <u>June 30, 2003</u>
ACCOUNTS: All funds	<u>\$ 2,508</u>	<u>\$ 17,061</u>	<u>\$ 14,926</u>	<u>\$ 4,643</u>

Accounts Receivable June 30, <u>2003</u>	Accounts Payable June 30, <u>2003</u>	Fund Balances June 30, <u>2003</u>
<u>\$ 384</u>	<u>\$ -</u>	<u>\$ 5,027</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
ROCKHOLDS OPPORTUNITY CENTER
Year Ended June 30, 2003

	Cash Balances <u>July 1, 2002</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash Balances <u>June 30, 2003</u>
ACCOUNTS:				
All funds	\$ 1,522	\$ 1,706	\$ 1,480	\$ 1,748
Interfund transfers	-	(69)	(69)	-
Totals	<u>\$ 1,522</u>	<u>\$ 1,637</u>	<u>\$ 1,411</u>	<u>\$ 1,748</u>

Accounts Receivable June 30, <u>2003</u>	Accounts Payable June 30, <u>2003</u>	Fund Balances June 30, <u>2003</u>
\$ 252	\$ -	\$ 2,000
-	-	-
<u>\$ 252</u>	<u>\$ -</u>	<u>\$ 2,000</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2003

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award	Federal Disbursements
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
Title I	84.010	351-03-01	\$ 1,729,277	\$ 1,486,474 *
Title I	84.010	351-02-01	1,469,378	190,351 *
Title I – Accountability Grant for School Improvement	84.348	35-602-00	45,975	41,944
Title VI	84.298	533-02-02	35,304	196
Title VI	84.298	533-03-02	35,651	35,651
Title II	84.281A	530-02-03	43,491	31,944
Title II	84.281A	530-01-03	33,408	8,711
Title II	84.367A		417,615	344,390 *
Student Assistance Program – Title IV	84.186	590-00-02	12,500	243
Safe and Drug-Free Schools and Communities – Title IV	84.186	590-03-02	46,702	46,702
Safe and Drug-Free Schools and Communities – Title IV	84.186	590-01-02	29,793	9,195
IDEA-B Emergency School Renovation	84.352A	521-02-02	152,136	33,638
Goals 2000	84.276	733-01-04	28,312	9,259
IDEA-B – Basic	84.027	581-03-02	670,377	533,060 *
IDEA-B – Basic	84.027	581-02-02	556,753	46,342 *
IDEA – Discretionary	84.027	581-03-04	436,128	258,312 *
IDEA – Discretionary	84.027	581-02-04	417,194	174,968 *
IDEA-B – Preschool Project	84.173	587-03-02	41,446	39,836
IDEA-B – Preschool Project	84.173	587-01-02	41,898	418
Vocational Education – Title IIC	84.048	462-03-32	75,080	72,939
Vocational Education – Title IIC	84.048	462-02-32	71,982	16,348
Vocational Education – Title IIC	84.048	462-02-32	1,442	1,442
Technology Literacy Challenge – Title IID	84.318	736-03-02	47,819	35,083
Technology Literacy Challenge – Title IID	84.318	736-03-02	77,260	56,753
Reading Excellence Improvement	84.338	535-00-02	162,041	26,657
Class Size Reduction	84.340	534-02-01	274,778	320
Even Start Family Literacy	84.213	588-03-02	78,687	78,687
Even Start Family Literacy	84.213	588-02-02	75,000	19,190
Adult Education – Basic	84.002A		58,255	57,781
Adult Education – Basic	84.002A		185,874	640
Dael Development Funds	84.002		32,956	32,956
Dael Staff Development	84.002		5,675	5,675
21 st Century Community Learning	84.287A		499,411	385,870 *
21 st Century Community Learning	84.287A		499,411	420 *
21 st Century Community Learning	84.287A	744-03-03	150,000	38,480 *
Gear UP	84.334A		59,321	31,715
Gear UP	84.334A		22,591	15,981
Rural Education Achievement	84.358A	350-03-02	87,144	20,049
Community Education	94.004		6,000	154
Service Learning	94.004		3,000	669

* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2003

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award	Federal Disbursements
Service Learning	94.004	743-02-02	10,000	4,952
Service Learning	94.004		1,000	112
Total U.S. Department of Education				<u>\$ 4,194,507</u>
<u>U.S. Department of Agriculture</u>				
Passed through State Department of Education:				
National School Breakfast Program	10.553	0576-02-05	66,291	\$ 173,014 *
		0576-02-05	106,723	
National School Lunch Program	10.555	0575-02-02	237,260	1,175,922 *
		0575-03-02	905,502	
		0575-03-08	33,160	
Summer Food Service Program	10.559	0574-02-23	1,840	32,666
		0569-02-24	191	
		0574-02-23	30,635	
Cash Commodities – SFS	10.558	0579-03-05	345,180	345,180 *
Commodities – SFS	10.550			107,617
Total U.S. Department of Agriculture				<u>\$ 1,834,399</u>
<u>U.S. Department of Labor</u>				
Passed through State Department of Education:				
Jobs for Kentucky Graduates	17.3259	273-02-A	24,000	\$ 24,000
Jobs for Kentucky Graduates	17.3259		9,700	9,700
W.I.A. – Life – In School	17.250		121,361	121,147
W.I.A. – Life – Out of School	17.250		115,137	100,366
W.I.A. – Life – In School	17.250		10,000	7,589
W.I.A. – Life – In School	17.250		114,218	493
W.I.A. – Life – Out of School	17.250		78,645	1,199
Workforce Investment Act/Y.O.U.	17.250		66,377	125
Total U.S. Department of Labor				<u>\$ 264,619</u>
<u>National Oceanic and Atmospheric Administration</u>				
PRIDE	11.469		5,000	\$ 3,790
PRIDE	11.469		4,999	4,995
PRIDE	11.469		1,824	100
PRIDE	11.469		50,000	50,000
PRIDE	11.469		5,000	4,797
Total National Oceanic and Atmospheric Administration				<u>\$ 63,682</u>
Total Expenditures of Federal Awards				<u>\$ 6,357,207</u>

* Denotes major program

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Whitley County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2003

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2003

SUMMARY OF AUDIT RESULTS

1. We have issued an unqualified opinion on the basic financial statements of the Whitley County School District.
2. No reportable conditions were disclosed in our audit of the financial statements.
3. No material noncompliance was disclosed in our audit of the financial statements.
4. No reportable conditions were disclosed in our audit of internal control over major programs.
5. We have issued an unqualified opinion on compliance for major programs.
6. The audit did not disclose any audit findings, which we are required to report under Section .510(a) of A-133.
7. The programs tested as major programs included:

Title I	84.010
Title II	84.367A
National School Lunch Program	10.555
National School Breakfast Program	10.553
IDEA-B – Basic/Discretionary	84.027
Cash for Commodities	10.558
21 st Century Community Learning	84.287A

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Whitley County School District was determined to be a low risk auditee.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2003

Only two audit findings from the prior year were not corrected in the current year. They are noted as repeat findings on page 61.

September 12, 2003

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

We have audited the financial statements of the Whitley County School District as of and for the year ended June 30, 2003, and have issued our report thereon dated September 12, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and state audit requirements.

Compliance

As part of obtaining reasonable assurance about whether the Whitley County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards or state audit requirements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Whitley County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Whitley County School District in a separate letter dated September 12, 2003.

This report is intended for the information of the members of the Kentucky State Committee for School District Audits, the members of the Board of Education of the Whitley County School District, the Kentucky Department of Education management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Certified Public Accountants

September 12, 2003

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

Compliance

We have audited the compliance of the Whitley County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. The Whitley County School District's major federal programs are identified in the accompanying schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Whitley County School District's management. Our responsibility is to express an opinion on the Whitley County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and state audit requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Whitley County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Whitley County School District's compliance with those requirements.

In our opinion, the Whitley County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in section 3(9)(a)-(w) of the Guide for Auditing Local School Districts' Fiscal Records that are required to be reported under Government Auditing Standards.

Internal Control Over Compliance

The management of the Whitley County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Whitley County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the members of the Kentucky State Committee for School District Audits, the members of the Board of Education of the Whitley County School District, the Kentucky Department of Education management, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Certified Public Accountants

September 12, 2003

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

In planning and performing our audit of the financial statements of the Whitley County School District for the year ended June 30, 2003, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 12, 2003 on the financial statements of the Whitley County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Certified Public Accountants

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT LETTER POINTS
June 30, 2003

General Comments

The Districts' depositories should be notified in writing that only Board authorized accounts should be set up with the Districts' employer identification number. All booster clubs should have their own numbers.

Poplar Creek Elementary

- Preprinted check numbers and receipt numbers should be used when recording all account activity. This is a repeat finding.
- Purchase orders are still not being completed properly. The purchase orders are being filled out after the invoice date and are only being signed by the principal. This is a repeat finding.

Whitley County Central Elementary

- The principal and secretary are signing all purchase orders. The sponsor should be signing the form instead of the secretary.
- When money is collected for a fundraiser, cash and checks received from each individual are to be recorded on Form F-SA-6 (Multiple Receipt Form) and placed with the receipt. Form F-SA-6 provides the accountability needed for multiple receipts for one activity. Form F-SA-2A (Fund Raising Approval) and Form F-SA-2B (Fund Raising Worksheets) should also be attached for proper documentation.

Whitley County High School

- When money is collected for a fund raiser, cash and checks received from each individual are to be recorded on Form F-SA-6 (Multiple Receipt Form) and placed with the receipt. Form F-SA-6 provides the accountability needed for multiple receipts for one activity. Form F-SA-2A (Fund Raising Approval) and Form F-SA-2B (Fund Raising Worksheets) should also be attached for proper documentation.

Whitley County Middle School

- We noted several occasions when support was missing for referees, pizza parties, and fund raiser awards. If no support is available, the principal, faculty sponsor and recipient should sign the standard invoice.
- We noted some instances where checks did not have two signatures. All checks should have dual signatures before releasing for proper accountability.

Whitley County North Elementary

- All receipts should be signed by the faculty sponsor and the secretary or principal. This insures accountability for the funds received.
- For athletic events, the receipt and the deposit ticket should be attached to Form F-SA-1 and the form should be signed by the person in charge in addition to the person receipting the money to verify the receipts are accurate.